

JACKSON HOUSING COMMISSION
JACKSON, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Jackson Housing Commission	County* JACKSON	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* October 1, 2008	Audit Submitted-Use Calendar* October 4, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised 1/04 Appendix H of Bulletin?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/> \$5,166,010
General Fund Expenditure:	<input type="text"/> \$5,908,685
Major Fund Deficit Amount:	<input type="text"/> \$ 0.00

General Fund Balance:	<input type="text"/> \$9,755,343
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 301 Steward Avenue	Unit's City* Jackson	Unit's Zip* 49201	

JACKSON HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Jackson Housing Commission
Jackson, Michigan

I have audited the accompanying financial statements of the business-type activities of Jackson Housing Commission, Michigan, a component unit of the City of Jackson, as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Jackson Housing Commission, Michigan, as of March 31, 2008, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Jackson Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated October 1, 2008, on my consideration of Jackson Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 12, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Jackson Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Jackson Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barry E. Sandlett, CPA, PC

October 1, 2008

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2008
(Unaudited)**

As management of the Jackson Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Jackson Housing Commission's financial activities for the fiscal year ended March 31, 2008. This discussion and analysis letter of the Jackson Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2008 were \$9,755,343. The net assets decreased by \$363,672, a decrease of 3.59% from the prior year.

Revenues and contributions for the Commission were \$5,545,014 for the fiscal year ended March 31, 2008. This was an increase of \$30,127 or 0.5% over the prior year.

Expenses for the Commission were \$5,908,685 for the fiscal year ended March 31, 2008. This was a increase of \$468,611 or 8.6% over the prior year.

HUD operating grants were \$3,881,102 for the fiscal year ended March 31, 2008. This was an increase of \$594,608 or 18.1% over the prior year. Capital contributions were \$379,004 for the fiscal year ended March 31, 2008. This was a decrease of \$535,566 or 58.6% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented

Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Jackson Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$9,755,343 at the close of the fiscal year ended March 31, 2008 a decrease from \$10,119,015 in 2007. The decrease in net assets of \$363,672 was due to the change in net assets for the fiscal year and a equity transfer adjustment.

The unrestricted net assets were \$198,766 as of March 31, 2008. This amount may be used to meet the Commission's ongoing obligations. The Commission had \$49,675 in net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission

Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008

FINANCIAL ANALYSIS (CONTINUED)

is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET ASSETS
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 727,304	\$ 744,988	\$(17,684)	(2.37)%
Capital assets	<u>9,747,441</u>	<u>10,095,407</u>	<u>(347,966)</u>	<u>(3.45)%</u>
Total Assets	<u>10,474,745</u>	<u>10,840,395</u>	<u>(365,650)</u>	<u>(3.37)%</u>
Current liabilities	388,327	303,064	85,263	28.13%
Noncurrent liabilities	<u>331,075</u>	<u>418,316</u>	<u>(87,241)</u>	<u>(20.86)%</u>
Total Liabilities	<u>719,402</u>	<u>721,380</u>	<u>(1,978)</u>	<u>(0.27)%</u>
Net Assets:				
Invested in capital assets	9,506,902	9,810,051	(303,149)	(3.09)%
Restricted	49,675		49,675	100.00%
Unrestricted	<u>198,766</u>	<u>308,964</u>	<u>(110,198)</u>	<u>(35.67)%</u>
Total Net Assets	<u>\$ 9,755,343</u>	<u>\$ 10,119,015</u>	<u>\$(363,672)</u>	<u>(3.59)%</u>

Total current assets decrease of \$17,684 was due, in part, to the net accounts receivable, decreased by \$71,156 from the prior year.

Current liabilities increased \$85,263 due, in large part, to accounts payable-trade of \$66,278 being setup this year and the current portion of long-term debt increasing by \$19,225 over the prior year.

Noncurrent liabilities decreased by \$87,241 due to long-term debt decreasing by \$64,042, accrued compensated absences decreasing by \$72,660, and FSS escrow deposits increasing by \$49,461 over the prior fiscal year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

FINANCIAL ANALYSIS (CONTINUED)

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$1,109,396	\$1,100,773	\$ 8,623	0.8%
Nondwelling rent	<u>10,838</u>	<u>11,276</u>	(438)	(3.9)%
Total PHA generated				
Revenue	1,120,234	1,112,049	8,185	0.7%
HUD operating grants	3,881,102	3,286,494	594,608	18.1%
Capital contributions	379,004	914,570	(535,566)	(58.6)%
Other income	113,040	68,809	44,231	64.3%
Interest income	23,648	28,180	(4,532)	(16.1)%
Gain on sale of assets	<u>27,986</u>	<u>104,785</u>	(76,799)	(73.3)%
Total Revenues and Contributions	<u>5,545,014</u>	<u>5,514,887</u>	<u>30,127</u>	0.5%
Expenses				
Personal services	1,369,286	1,319,284	50,002	3.8%
Utilities	471,446	418,971	52,475	12.5%
Operations and maintenance	427,753	426,647	1,106	0.3%
Protective services		10,535	(10,535)	(100)%
Insurance	91,582	82,321	9,261	11.3%
Payments in lieu of taxes	51,716	54,239	(2,523)	(4.7)%
Other supplies and expenses	465,106	284,784	180,322	63.3%
Interest expense	17,542	20,318	(2,776)	(13.7)%
Housing Assistance				
Payments	2,334,396	2,134,590	199,806	9.4%
Depreciation	<u>679,858</u>	<u>688,385</u>	(8,527)	(1.3)%
Total Expenses	<u>5,908,685</u>	<u>5,440,074</u>	<u>468,611</u>	8.6%

Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
(CONTINUED)
MARCH 31,

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>
Change in net assets	(363,671)	74,813	(438,484)
Prior period			
adjustments		(109,726)	109,726
Beginning net assets	<u>10,119,014</u>	<u>10,153,928</u>	(34,914)
Ending net assets	<u>\$ 9,755,343</u>	<u>\$10,119,015</u>	<u>\$ (363,672)</u>

Revenues:

Jackson Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended March 31, 2008 for Public Housing, capital funding, and for the Section 8 voucher programs increased by \$59,042 over the prior fiscal year. For fiscal year ending March 31, 2008, revenue generated by the Commission accounted for \$1,120,234 (or 20.2% of total revenue), while HUD contributions accounted for \$4,260,106 (or 76.8% of total revenue). The gain of the sale of assets was due to home sales. Interest rates remain somewhat low.

Expenses:

Total Expenses for the fiscal ending March 31, 2008 were \$5,908,685 while for the fiscal year ending March 31, 2007 was \$5,440,074. This represents a 8.6% increase in our Operating Costs. The expenses increased, in part, because personnel services increased by \$50,002. In the previous year we did not give eligible increases to staff until one-half of the fiscal year was complete because we anticipated significant reductions in operating subsidy. This fiscal year increases were applied at the beginning of the year because of anticipated increases in subsidy which did not occur. In fact, they were at a lesser rate. Utilities increased by \$52,475, because of water costs increasing by \$33,251, electricity costs increasing by \$13,304, and gas costs increasing by \$5,920 over the prior year. Other supplies and expenses increased by \$180,322 over the prior year, in part, because of telephone costs increasing by \$36,560, accounting fees increased by \$7,300, postage increased by \$6,808, city administrative fees

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

FINANCIAL ANALYSIS (CONTINUED)

Expenses (Continued)

increasing by \$7,303, travel increased by \$4,438, legal costs increased by \$3,137, sundry costs increased by \$31,571, tenant services increased by \$6,123, and bad debt expense increased by \$98,049. Housing assistance payments increased \$199,806 because of the incomes of tenants increasing.

The following represents changes in Federal Assistance received:

	<u>03/31/08</u>	<u>03/31/07</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing				
Operating Subsidy	\$ 1,221,256	\$ 974,911	\$ 246,345	25.3%
Capital Fund Program				
Grants	448,110	914,570	(466,460)	(51.0)%
Sec. 8 Voucher	<u>2,590,740</u>	<u>2,311,583</u>	<u>279,157</u>	<u>12.1%</u>
Total	<u>\$ 4,260,106</u>	<u>\$4,201,064</u>	<u>\$ 59,042</u>	<u>1.4%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 increased due to HUD's new method of disbursing funds for Housing Choice Vouchers. The subsidy for Public Housing was 82% of what was eligible. Capital fund grants have been between \$667,342 and \$772,754 in the prior four years, therefore the decrease in the Capital Fund Program was due to the fact that work projects during the fiscal year ending March 31, 2007 were for parts of several CFP years, and less than one years capital funding being used in the fiscal year ending March 31, 2008.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2008 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

OPERATIONAL HIGHLIGHTS

The Jackson Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>March 31, 2008</u>	<u>March 31, 2006</u>
Low Rent Public Housing	546	546
Sec. 8 Housing Choice Voucher	475	475

During the fiscal year ending March 31, 2008, Jackson Housing Commission maintained a lease-up rate of 94.6% in its Public Housing Program. Section 8 Administrative staff maintained a voucher "lease up rate" at a monthly average of 97.7%. Lease up rates as a percentage of Housing Assistance Payments averaged 98.8%. Administrative program expenses were higher than budgeted (as anticipated because of reduced administrative fees); however, there are adequate administrative reserves to meet shortages for at least the next two years.

In fiscal year ending March 31, 2008, the Housing Commission sold an additional three scattered site single family homes under its Section 5(h) Home Ownership Program. With the continuation of home sales the overall effect on net assets will alter the Housing Commission's housing assistance programs significantly. It is anticipated that all fifty units should be sold in the next two to four years. Proceeds will go toward development of other housing assistance resources.

The Housing Commission is positioning itself as well as possible for productive work under the HUD required Asset Management program.

CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

Long-term Debt Activity

The Housing Commission's Energy Performance Contract with Water and Energy Savings Corporation of St. Pete, Florida, requires repayment of principle and interest on an Energy Performance Loan taken out by the City of Jackson on the Housing Commission's behalf, and payment of 15% of the utility cost savings to WESCO for contract administration for twelve years from the loan's inception. Savings realized from the project is designed to be more than adequate to repay the loan and administration costs, and that has been the experience to date.

Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY (CONTINUED)

Capital Assets

During the fiscal year ending March 31, 2008, our Capital Fund Program work projects included:

The Housing Commission expended capital fund monies for contracting out UPCS inspections, replacing furnaces, upgrade the playground, replace a chain link fence, purchasing a tractor/mower, a new copier, snow blade, and a wall mural in the community room.

Capital projects planned for the next fiscal year include painting Chalet Terrace and Reed Manor, and replace exterior doors.

The Jackson Housing Commission's investment in capital assets, as of March 31, 2008 amounts to \$9,747,441 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>
Buildings	\$21,607,796	\$21,648,018	\$(40,222)
Furniture, equipment and machinery - dwellings	326,807	321,123	5,684
Furniture, equipment and machinery - administration	308,066	300,099	7,967
Construction in progress	<u>1,246,757</u>	<u>888,294</u>	<u>358,463</u>
	23,489,426	23,157,534	331,892
Accumulated depreciation	<u>(13,741,985)</u>	<u>(13,062,127)</u>	<u>(679,858)</u>
Total	<u>\$ 9,747,441</u>	<u>\$10,095,407</u>	<u>\$(347,966)</u>

Capital assets decreased by \$347,966, because of depreciation of \$679,858 and expenditures of \$331,892 for various capital projects.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Phillip M. Fracker, PHM
Executive Director
301 Steward Avenue
Jackson, Michigan 49201

FINANCIAL STATEMENTS

JACKSON HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2008
=====

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 423,389
Cash-restricted	99,136
Receivables	37,140
Investments	86,504
Prepaid expenses	<u>81,135</u>
Total Current Assets	<u>727,304</u>
Capital Assets:	
Buildings	21,607,796
Equipment	634,873
Construction in progress	<u>1,246,757</u>
	23,489,426
Less: accumulated depreciation	<u>(13,741,985)</u>
Net Capital Assets	<u>9,747,441</u>
Total Assets	<u><u>\$ 10,474,745</u></u>

See notes to financial statements

JACKSON HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2008
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable-trade	\$ 66,278
Accounts payable-other government	51,716
Tenant security deposit liability	86,238
Accrued expenses	62,918
Deferred revenues	69,091
Current portion of long-term debt	47,760
Accrued liabilities-other	<u>4,326</u>
Total Current Liabilities	<u>388,327</u>
Noncurrent liabilities:	
Long-term debt, net of current	192,779
Noncurrent liabilities-other	49,461
Accrued compensated absences	<u>88,835</u>
Total Noncurrent Liabilities	<u>331,075</u>
Total Liabilities	<u>719,402</u>
Net Assets:	
Invested in capital assets	9,506,902
Restricted net assets	49,675
Unrestricted net assets	<u>198,766</u>
Total Net Assets	<u>9,755,343</u>
Total Liabilities and Net Assets	<u><u>\$ 10,474,745</u></u>

See notes to financial statements

JACKSON HOUSING COMMISSION
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS**
 Year Ended March 31, 2008
 =====

OPERATING REVENUES:

Dwelling rent	\$ 1,109,396
Nondwelling rent	10,838
Operating grants	<u>3,881,102</u>
Total operating revenues	<u>5,001,336</u>

OPERATING EXPENSES:

Administration	990,010
Tenant services	50,505
Utilities	471,446
Ordinary maintenance and operation	1,075,885
General expenses	284,493
Interest expense	17,542
Casualty losses	4,550
Housing assistance payments	2,334,396
Depreciation	<u>679,858</u>
Total operating expenses	<u>5,908,685</u>

Operating income(loss)	<u>(907,349)</u>
------------------------	-------------------

NONOPERATING REVENUES:

Investment interest income	23,648
Other income	113,040
Gain of sales of assets	<u>27,986</u>
Total nonoperating revenues	<u>164,674</u>

CAPITAL CONTRIBUTIONS

Change in net assets	(363,671)
Net assets, beginning	<u>10,119,014</u>
Net assets, ending	<u>\$ 9,755,343</u>

See notes to financial statements

JACKSON HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2008
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 1,098,499
Cash received from operating grants	3,880,765
Cash payments to other suppliers of goods and services	(3,640,372)
Cash payments to employees for services	(1,396,972)
Cash payments for in lieu of taxes	<u>(54,239)</u>
Net cash (used) by operating activities	<u>(112,319)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES:

Comcast contract	(7,540)
Tenant security deposits	88
FSS escrow deposits	12,259
Other revenue	<u>113,040</u>
Net cash provided by noncapital financing activities	<u>117,847</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal payments on long-term debt	(44,817)
Proceeds from sale of assets	97,981
Capital grants	379,004
Payments for capital acquisitions	<u>(401,888)</u>
Net cash provided by capital and related financing activities	<u>30,280</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments decreased by	13,496
Receipts of interest and dividends	<u>23,648</u>
Net cash provided by investing activities	<u>37,144</u>

Net increase(decrease) in cash	72,952
Cash and cash equivalents, beginning	<u>449,573</u>
Cash and cash equivalents, ending	<u>\$ 522,525</u>

JACKSON HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2008
=====

RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(907,349)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	679,858
Bad debt allowance adjustment	94,854
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-miscellaneous	(337)
Accounts receivable-tenants	(23,698)
Prepaid expenses	6,321
Increase (decrease) in liabilities:	
Accounts payable	66,278
Accrued wages/payroll taxes payable	53,048
Accrued compensated absences	(80,734)
Accounts payable-PILOT	(2,523)
Deferred revenues	<u>1,963</u>
Net cash (used) by operating activities	<u><u>\$(112,319)</u></u>

See notes to financial statements

JACKSON HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2008
=====

NOTE 1: Summary of Significant Accounting Policies

The Jackson Housing Commission (the Housing Commission) is a component unit of the City of Jackson, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Jackson on February 26, 1946, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
---------------------	--------------------

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current

1(c) Measurement Focus and Basis of Accounting (Continued)

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

1(d) Assets, Liabilities, and Equity (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$250 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	15 - 20 years
Buildings	40 years
Building improvements	20 years
Nondwelling structures	10 years
Furniture, equipment and machinery	7 years

1(d) Assets, Liabilities, and Equity (Continued)

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- c. Restricted net assets - Consists of net assets of the Housing Choice Voucher Program that are restricted by HUD, but are expendable for FSS escrow deposits.

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

1(e) Revenues, Expenditures, and Expenses (Continued)

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

2(c) Revenue Restrictions (Continued)

For the year ended March 31, 2008, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$204,565	\$185,344	\$ 19,221	\$	\$ 120,593
Savings	295,324	137,888	157,436		295,324
Certificate of deposit	104,008	100,000	4,008		104,008
	<u>\$603,897</u>	<u>\$423,232</u>	<u>\$180,665</u>	<u>\$</u>	<u>\$ 519,925</u>

3(a) Cash and Investments (Continued)

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Money market accounts	\$ 71,345	\$	\$	\$ 71,345	\$ 71,345
U.S. government securities	15,159			15,159	15,159
	<u>\$ 86,504</u>	<u>\$</u>	<u>\$</u>	<u>\$ 86,504</u>	<u>\$ 86,504</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 2,600
Carrying amount of deposits	519,925
Investments	86,504
Total	<u>\$ 609,029</u>
Cash and investments:	
Enterprise activities	\$ 778,972
Enterprise activities - checks written in excess of deposits	(169,943)
Total	<u>\$ 609,029</u>

3(b) Accounts Receivable

Receivables detail at March 31, 2008, is as follows:

Miscellaneous	\$ 1,334
Tenant accounts receivable	142,545
Allowance for doubtful accounts	(106,739)
	<u>\$ 37,140</u>

3(c) Capital Assets

Capital asset activity for the year ended March 31, 2008, was as follows:

	Balance 03/31/07	Additions/ Transfers	Retirements/ Transfers	Balance 03/31/08
Low Rent Program				
Buildings	\$21,648,018	\$ 20,541	\$ (60,763)	\$21,607,796
Furniture, equip. & machinery - dwellings	321,123	5,684		326,807
Furniture, equip. & machinery - administration	<u>266,758</u>	<u>7,967</u>		<u>274,725</u>
	22,235,899	<u>\$ 34,192</u>	<u>\$ (60,763)</u>	22,209,328
Less accumulated depreciation	<u>(13,028,786)</u>	<u>\$ (679,858)</u>	<u>\$</u>	<u>(13,708,644)</u>
Total	<u>\$ 9,207,113</u>			<u>\$ 8,500,684</u>
Capital Fund Program				
Construction in progress	<u>\$ 888,294</u>	<u>\$ 379,004</u>	<u>\$ (20,541)</u>	<u>\$ 1,246,757</u>
Housing Choice Voucher Program				
Furniture, equip. & machinery - administration	\$ 33,341	<u>\$</u>	<u>\$</u>	\$ 33,341
Less accumulated depreciation	<u>(33,341)</u>	<u>\$</u>	<u>\$</u>	<u>(33,341)</u>
Total	<u>\$</u>			<u>\$</u>
Combined Totals				<u>\$ 9,747,441</u>

3(d) Accrued Expenses

Accrued expense detail at March 31, 2008, is as follows:

Accrued wage/payroll taxes payable	\$ 53,048
Accrued compensated absences-current portion	<u>9,870</u>
	<u>\$ 62,918</u>

3(e) Accrued Liabilities-Other

Accrued liabilities-other at March 31, 2008, is as follows:

Accrued FSS escrows	\$ 3,251
Performance deposits for energy contract	<u>1,075</u>
	<u>\$ 4,326</u>

3(f) Non-current Liabilities

As of March 31, 2008, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	\$ 88,835
FSS escrow deposits	49,461
Long-term debt, net of current	<u>192,779</u>
	<u>\$ 331,075</u>

3(g) Interprogram Transactions and Balances

Operating Transfers

There was an operating transfer of \$20,540 from the capital fund program to the low rent program during the fiscal year ended March 31, 2008.

Interprogram Receivable/Payable

There were no interprogram receivables and payables.

3(h) Long-term Debt

An installment purchase agreement was signed and dated September 20, 2000 by and between the City of Jackson(City) and the Jackson Housing Commission(JHA) with the Water & Energy Savings Corporation(WESC) of Lake Lure, North Carolina and the National City Bank(Bank) of Michigan/Illinois, Lansing, Michigan as the assignee.

The City agreed to purchase and WESC agreed to sell and provide the City and JHA certain water and energy conservation equipment to be installed in public housing facilities operated by JHA for the sum of \$487,000. The purchase price is payable in quarterly payments of principal and interest on each December 1, March 1, June 1 and September 1, commencing December 1, 2000 and ending on September 1, 2011. The interest rate is at 6.4169% with the annual payments of principal and interest at approximately \$62,500 per year.

3(h) Long-term Debt (Continued)

Debt principal requirements for the ensuing five-year period are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
3/31/09	\$ 14,508.98	\$ 47,759.84	\$ 62,268.82
3/31/10	11,326.75	50,899.08	62,225.83
3/31/11	7,935.36	54,244.66	62,180.02
3/31/12	4,321.04	57,810.14	62,131.18
Thereafter	<u>727.65</u>	<u>29,824.80</u>	<u>30,552.45</u>
	<u>\$ 38,819.78</u>	<u>\$240,538.52</u>	<u>\$ 279,358.30</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

Each employee is covered under a defined benefit plan through the City of Jackson plan. The plan funds are invested with local bank pension plan managers. The Housing Commission and each employee contributes 2.5% of the employee's annual compensation. The Housing Commission's portion of the pension cost was \$34,431 during the fiscal year ended March 31, 2008. Further details of funding the pension assets are contained in a separate report with the City of Jackson.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Public officials liability and employment practice coverage	Purchased insurance from Housing Authority Risk Retention Group.
b. Injuries to employees (workers' compensation)	Included in the City of Jackson plan.
c. Physical property loss and natural disasters	Purchased commercial insurance from Housing Insurance Services, Inc.
d. Liability	Purchased commercial liability insurance from Housing Authority Risk Retention Group.
e. Health, life, and disability	Included in the City of Jackson's insurance plans.
f. Dental and Optical	The Housing Commission reimburses the employees up to \$1,000 per year.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At March 31, 2008, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2004 CFP	\$ 772,754	\$ 772,754
2005 CFP	704,793	691,800
2006 CFP	667,342	228,683
2007 CFP	691,060	-

4(c) Commitments and Contingencies (Continued)

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Equity Transfers

Low Rent Program

Fixed cost in prior period transferred capital fund program	<u>\$ 20,540</u>
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Capital Fund Program

Fixed cost in prior period transferred to low rent program	<u>\$ (20,540)</u>
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NOTE 5: Segment Information

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2008, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Net Assets			
Current assets	\$ 301,682	\$	\$ 488,884
Capital assets	<u>8,500,684</u>	<u>1,246,757</u>	
Total assets	<u>\$ 8,802,366</u>	<u>\$1,246,757</u>	<u>\$ 488,884</u>
Current liabilities	\$ 451,589	\$	\$
Noncurrent liabilities	<u>281,614</u>		<u>49,461</u>
Total liabilities	<u>733,203</u>		<u>49,461</u>
Net assets:			
Invested in capital assets, net of related debt	8,260,145	1,246,757	
Restricted net assets			49,675
Unrestricted net assets	<u>(190,982)</u>		<u>389,748</u>
Total net assets	<u>8,069,163</u>	<u>1,246,757</u>	<u>439,423</u>
Total liabilities & net assets	<u>\$ 8,802,366</u>	<u>\$1,246,757</u>	<u>\$ 488,884</u>

NOTE 5: Segment Information (continued)

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Dwelling and nondwelling rents	\$ 1,120,234	\$	\$
Operating grants	1,221,256	69,106	2,590,740
Depreciation	(679,858)		
Other operating expenses	<u>(2,766,255)</u>		<u>(2,462,572)</u>
Operating(loss)	<u>(1,104,623)</u>	<u>69,106</u>	<u>128,168</u>
Nonoperating revenues:			
Investment earnings	6,515		17,133
Other income	113,040		
Gain on sale of assets	27,986		
Capital grants		379,004	
Operating transfers	<u>69,106</u>	<u>(69,106)</u>	
Total nonoperating revenues	<u>216,647</u>	<u>309,898</u>	<u>17,133</u>
Change in net assets	(887,976)	379,004	145,301
Equity transfers	20,540	(20,540)	
Beginning net assets	<u>8,936,599</u>	<u>888,293</u>	<u>294,122</u>
Ending net assets	<u>\$ 8,069,163</u>	<u>\$1,246,757</u>	<u>\$ 439,423</u>
Condensed Statement of Cash Flows			
Net cash provided(used) by:			
Operating activities	\$ (309,256)	\$ 69,106	\$ 127,831
Noncapital financing activities	237,956	(69,106)	(51,003)
Capital and related financing activities	30,280		
Investing activities	<u>(79,989)</u>		<u>117,133</u>
Net increase(decrease)	(121,009)		193,961
Beginning cash and cash equivalents	<u>219,246</u>		<u>230,327</u>
Ending cash and cash equivalents	<u>\$ 98,237</u>	<u>\$</u>	<u>\$ 424,288</u>

SUPPLEMENTARY INFORMATION

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

March 31, 2008

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	C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 98,237	\$
Cash-restricted		
Receivables:		
Miscellaneous		
Tenants-dwelling rents	142,545	
Allowance for doubtful accounts (106,739)	
Investments-unrestricted	86,504	
Prepaid expenses	81,135	
Due from other programs		
Total current assets	<u>301,682</u>	
Capital assets:		
Buildings	21,607,796	
Equipment	601,532	
Construction in progress		<u>1,246,757</u>
	<u>22,209,328</u>	<u>1,246,757</u>
Less accumulated depreciation	<u>(13,708,644)</u>	
Net capital assets	<u>8,500,684</u>	<u>1,246,757</u>
Total Assets	<u>\$ 8,802,366</u>	<u>\$ 1,246,757</u>

Housing Choice Vouchers 14.871	Totals
\$ 325,152	\$ 423,389
99,136	99,136
1,334	1,334
	142,545
	(106,739)
	86,504
	81,135
<u>63,262</u>	<u>63,262</u>
<u>488,884</u>	<u>790,566</u>
	21,607,796
33,341	634,873
	<u>1,246,757</u>
33,341	23,489,426
<u>(33,341)</u>	<u>(13,741,985)</u>
	<u>9,747,441</u>
<u>\$ 488,884</u>	<u>\$ 10,538,007</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)

March 31, 2008

=====

	C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable-trade	\$ 66,278	\$
Accounts payable-other government	51,716	
Tenant security deposit liability	86,238	
Accrued expenses	62,918	
Deferred revenues	69,091	
Current portion of long-term debt	47,760	
Current liabilities	3,251	
Accrued liabilities-other	1,075	
Due to other programs	<u>63,262</u>	
Total current liabilities	<u>451,589</u>	
Noncurrent liabilities:		
Long-term debt, net of current	192,779	
Noncurrent liabilities-other		
Accrued compensated absences	<u>88,835</u>	
Total noncurrent liabilities	<u>281,614</u>	
Total liabilities	<u>733,203</u>	
Net Assets:		
Invested in capital assets	8,260,145	1,246,757
Restricted net assets		
Unrestricted net assets	(190,982)	
Total net assets	<u>8,069,163</u>	<u>1,246,757</u>
Total Liabilities and Net Assets	<u>\$8,802,366</u>	<u>\$ 1,246,757</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 66,278
	51,716
	86,238
	62,918
	69,091
	47,760
	3,251
	1,075
	<u>63,262</u>
	<u>451,589</u>
	192,779
49,461	49,461
	<u>88,835</u>
<u>49,461</u>	<u>331,075</u>
<u>49,461</u>	<u>782,664</u>
	9,506,902
49,675	49,675
<u>389,748</u>	<u>198,766</u>
<u>439,423</u>	<u>9,755,343</u>
<u>\$ 488,884</u>	<u>\$ 10,538,007</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS BY PROGRAM
Year Ended March 31, 2008
=====

	C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$1,109,396	\$
Nondwelling rent	10,838	
Operating grants	<u>1,221,256</u>	<u>69,106</u>
Total operating revenues	<u>2,341,490</u>	<u>69,106</u>
OPERATING EXPENSES:		
Administration	861,834	
Tenant services	50,505	
Utilities	471,446	
Ordinary maintenance and operation	1,075,885	
General expenses	284,493	
Interest expense	17,542	
Casualty losses	4,550	
Housing assistance payments		
Depreciation	<u>679,858</u>	
Total operating expenses	<u>3,446,113</u>	
Operating income(loss)	<u>(1,104,623)</u>	<u>69,106</u>
NONOPERATING REVENUES (EXPENSES) :		
Operating transfers in(out)	69,106	(69,106)
Investment interest income	6,515	
Other income	113,040	
Gain on sales of assets	<u>27,986</u>	
Total nonoperating revenues (expenses)	<u>216,647</u>	<u>(69,106)</u>
CAPITAL CONTRIBUTIONS		<u>379,004</u>
Change in net assets	(887,976)	379,004
Equity transfers	20,540	(20,540)
Net assets, beginning	<u>8,936,599</u>	<u>888,293</u>
Net assets, ending	<u>\$8,069,163</u>	<u>\$1,246,757</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 1,109,396
2,590,740	10,838
2,590,740	3,881,102
	5,001,336
128,176	990,010
	50,505
	471,446
	1,075,885
	284,493
	17,542
	4,550
2,334,396	2,334,396
	679,858
2,462,572	5,908,685
128,168	(907,349)
17,133	23,648
	113,040
	27,986
17,133	164,674
	379,004
145,301	(363,671)
294,122	10,119,014
\$ 439,423	\$ 9,755,343

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2008

=====

	C-3005 Low Rent Program 14.850a	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 1,098,499	\$
Cash received from operating grants	1,221,256	69,106
Cash payments to other suppliers of goods and services	(1,287,431)	
Cash payments to employees for services	(1,287,341)	
Cash payments for in lieu of taxes	(54,239)	
Net cash provided(used) by operating activities	(309,256)	69,106
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Comcast contract	(7,540)	
Interprogram due from(to)	63,262	
Operating transfers in(out)	69,106	(69,106)
Tenant security deposits	88	
FSS escrow deposits		
Other revenue	113,040	
Net cash provided(used) by noncapital financing activities	237,956	(69,106)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on long-term debt	(44,817)	
Proceeds from sale of assets	97,981	
Capital grants		379,004
Payments for capital acquisitions	(22,884)	(379,004)
Net cash provided by capital and related financing activities	30,280	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments (increased) decreased	(86,504)	
Receipts of interest and dividends	6,515	
Net cash provided(used) by investing activities	(79,989)	
Net increase(decrease) in cash	(121,009)	
Cash and cash equivalents, beginning	219,246	
Cash and cash equivalents, ending	\$ 98,237	\$

Housing Choice Vouchers 14.871	Totals
\$ 2,590,403	\$ 1,098,499
(2,352,941)	3,880,765
(109,631)	(3,640,372)
	(1,396,972)
	(54,239)
127,831	(112,319)
(63,262)	(7,540)
12,259	88
	12,259
	113,040
(51,003)	117,847
	(44,817)
	97,981
	379,004
	(401,888)
	30,280
100,000	13,496
17,133	23,648
117,133	37,144
193,961	72,952
230,327	449,573
\$ 424,288	\$ 522,525

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended March 31, 2008
=====

C-3005	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:**

Operating income(loss)	\$ (1,104,623)	\$ 69,106
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	679,858	
Bad debt allowance adjustment	94,854	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-misc.		
Accounts receivable-tenants	(23,698)	
Prepaid expenses	6,321	
Increase (decrease) in liabilities:		
Accounts payable	66,278	
Accrued wages/payroll taxes payable	53,048	
Accrued compensated absences	(80,734)	
Accounts payable-PILOT	(2,523)	
Deferred revenues	<u>1,963</u>	
Net cash provided(used) by operating activities	<u>\$ (309,256)</u>	<u>\$ 69,106</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 128,168	\$ (907,349)
	679,858
	94,854
(337)	(337)
	(23,698)
	6,321
	66,278
	53,048
	(80,734)
	(2,523)
	<u>1,963</u>
<u>\$ 127,831</u>	<u>\$ (112,319)</u>

JACKSON HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2008
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2008	Low Rent Public Housing	14.850a	\$1,221,256
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2008	Capital Fund Program	14.872	448,110
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2008	Housing Choice Vouchers	14.871	<u>2,590,740</u>
	Total		<u>\$4,260,106</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
Year Ended March 31, 2008

FDS Line Item No.		C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 11,999	\$
113	Cash-other restricted		
114	Cash-tenant security deposits	<u>86,238</u>	
100	Total cash	<u>98,237</u>	
	Receivables:		
125	A/R-miscellaneous		
126	A/R-tenants-dwelling rents	142,545	
126.1	Allowance for doubtful accounts - dwelling rents	<u>(106,739)</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>35,806</u>	
131	Investments-unrestricted	<u>86,504</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	81,135	
144	Interprogram due from		
	Total other current assets	<u>81,135</u>	
150	Total current assets	<u>301,682</u>	
	Noncurrent Assets:		
	Fixed Assets:		
162	Buildings	21,607,796	
163	Furn, equip & mach-dwellings	326,807	
164	Furn, equip & mach-admin.	274,725	
166	Accumulated depreciation	(13,708,644)	
167	Construction in progress	<u>1,246,757</u>	
160	Total fixed assets, net of accumulated depreciation	<u>8,500,684</u>	<u>1,246,757</u>
180	Total noncurrent assets	<u>8,500,684</u>	<u>1,246,757</u>
190	Total Assets	<u>\$ 8,802,366</u>	<u>\$1,246,757</u>

Housing Choice Vouchers 14.871	Totals
\$ 325,152	\$ 337,151
99,136	99,136
	86,238
424,288	522,525
1,334	1,334
	142,545
	(106,739)
1,334	37,140
	86,504
63,262	81,135
	63,262
63,262	144,397
488,884	790,566
	21,607,796
	326,807
33,341	308,066
(33,341)	(13,741,985)
	1,246,757
	9,747,441
	9,747,441
\$ 488,884	\$ 10,538,007

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2008
=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable	\$ 66,278	\$
321	Accrued wage/payroll taxes payable	53,048	
322	Accrued compensated absences-current portion	9,870	
333	Accounts payable-other gov't.	51,716	
341	Tenant security deposits	86,238	
342	Deferred revenues	69,091	
343	Current portion of long-term debt	47,760	
345	Current liabilities	3,251	
346	Accrued liabilities-other	1,075	
347	Interprogram due to	<u>63,262</u>	
310	Total current liabilities	<u>451,589</u>	
	Noncurrent Liabilities:		
351	Long-term debt, net of current	192,779	
353	Noncurrent liabilities-other		
354	Accrued compensated absences	<u>88,835</u>	
350	Total noncurrent liabilities	<u>281,614</u>	
300	Total liabilities	<u>733,203</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>8,260,145</u>	<u>1,246,757</u>
508	Total invested in capital assets	8,260,145	1,246,757
511.1	Restricted net assets		
512.1	Unrestricted net assets	<u>(190,982)</u>	
513	Total Net Assets	<u>8,069,163</u>	<u>1,246,757</u>
600	Total Liabilities and Net Assets	<u>\$ 8,802,366</u>	<u>\$1,246,757</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 66,278
	53,048
	9,870
	51,716
	86,238
	69,091
	47,760
	3,251
	1,075
	<u>63,262</u>
	<u>451,589</u>
	192,779
49,461	49,461
	<u>88,835</u>
<u>49,461</u>	<u>331,075</u>
<u>49,461</u>	<u>782,664</u>
	<u>9,506,902</u>
	9,506,902
49,675	49,675
<u>389,748</u>	<u>198,766</u>
<u>439,423</u>	<u>9,755,343</u>
<u>\$ 488,884</u>	<u>\$ 10,538,007</u>

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2008
=====

FDS Line Item No.		C-3005 Low Rent Program 14.850a	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	\$1,109,396	\$
704	Tenant revenue-other	<u>10,838</u>	<u> </u>
705	Total tenant revenue	1,120,234	
706	HUD PHA grants	1,221,256	69,106
706.1	Capital grants		379,004
711	Investment income-unrestricted	6,515	
715	Other income	113,040	
716	Gain/loss on sale of fixed assets	<u>27,986</u>	<u> </u>
700	Total revenue	<u>2,489,031</u>	<u>448,110</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	432,664	
912	Auditing fees	6,500	
914	Compensated absences	1,734	
915	Employee benefit contributions	172,575	
916	Other operating-administrative	248,361	
	Tenant services:		
924	Other	50,505	
	Utilities:		
931	Water	130,585	
932	Electricity	174,267	
933	Gas	166,594	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	462,497	
942	Ordinary maint & oper-materials & other	130,158	
943	Ordinary maint & oper-contract costs	293,045	
945	Employee benefit contributions	190,185	
	General expenses:		
961	Insurance premiums	91,582	
962	Other general services	38,840	
963	Payments in lieu of taxes	51,716	
964	Bad debt-tenant rents	102,355	
967	Interest expense	<u>17,542</u>	<u> </u>
969	Total operating expenses	<u>2,761,705</u>	<u> </u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 1,109,396
	10,838
	1,120,234
2,590,740	3,881,102
	379,004
17,133	23,648
	113,040
	27,986
<u>2,607,873</u>	<u>5,545,014</u>
104,356	537,020
3,000	9,500
	1,734
5,275	177,850
15,545	263,906
	50,505
	130,585
	174,267
	166,594
	462,497
	130,158
	293,045
	190,185
	91,582
	38,840
	51,716
	102,355
	17,542
<u>128,176</u>	<u>2,889,881</u>

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2008
=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
969	Total operating expenses	<u>2,761,705</u>	<u> </u>
970	Excess operating revenue over operating expenses	<u>(272,674)</u>	<u>448,110</u>
	Expenses continued:		
	Other expenses:		
972	Casualty losses	4,550	
973	Housing assistance payments		
974	Depreciation expense	<u>679,858</u>	<u> </u>
	Total other expenses	<u>684,408</u>	<u> </u>
900	Total expenses	<u>3,446,113</u>	<u> </u>
	Other Financing Sources(Uses):		
1001	Operating transfers in(out)	<u>69,106</u>	<u>(69,106)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(887,976)	379,004
1103	Beginning Net Assets	8,936,599	888,293
1104	Prior period adjustments, equity transfers and correction of errors	<u>20,540</u>	<u>(20,540)</u>
	Ending Net Assets	<u>\$ 8,069,163</u>	<u>\$1,246,757</u>

Housing Choice Vouchers 14.871	<u>Totals</u>
<u>128,176</u>	<u>2,889,881</u>
<u>2,479,697</u>	<u>2,655,133</u>
2,334,396	4,550 2,334,396 <u>679,858</u>
<u>2,334,396</u>	<u>3,018,804</u>
<u>2,462,572</u>	<u>5,908,685</u>
145,301	(363,671)
294,122	10,119,014
<u>\$ 439,423</u>	<u>\$ 9,755,343</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Board of Housing Commissioners
Jackson Housing Commission
Jackson, Michigan

I have audited the financial statements of the business-type activities of Jackson Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated October 1, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Jackson Housing Commission

Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Taudette, CPA, PC

October 1, 2008

**Report on Compliance with Requirements
Applicable To Each Major Program and
on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Jackson Housing Commission
Jackson, Michigan

Compliance

I have audited the compliance of Jackson Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Jackson Housing Commission
Page Two

Compliance (Continued)

As described in item 2007-1 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility that are applicable to the Low Rent Public Housing program. Also, as described in items 2007-2 and 2007-3 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding Reasonable Rent and the Utility Study that are applicable to the Housing Choice Voucher program. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with the requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008.

Internal Control Over Compliance

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Jackson Housing Commission
Page Three

Internal Control Over Compliance (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The Housing Commission's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Commission's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the management, Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry Standish, AA, PC

October 1, 2008

JACKSON HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
March 31, 2008

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Finding 2007-1: Eligibility in the Low Rent Public Housing Program. This is a repeat finding, although the exception rate improved from 13.3% to 9.3%. See finding 2008-1.

Finding 2007-2: Waiting List in the Low Rent Public Housing Program. This finding has been cleared.

Finding 2007-3: Eligibility in the Housing Choice Voucher Program. This finding has been cleared.

Finding 2007-4: Verification in the Housing Choice Voucher Program. This finding has been cleared.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2008
=====

SECTION I - SUMMARY OF AUDITOR RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Jackson Housing Commission.
2. There are no control deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Jackson Housing Commission were disclosed during the audit.
4. There were no reportable conditions in internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Jackson Housing Commission expresses a qualified opinion on the Low Rent Public Housing and Housing Choice Voucher programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Low Rent Public Housing program	CFDA No. 14.850a
Capital Fund program	CFDA No. 14.872
Housing Choice Voucher program	CFDA No. 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Jackson Housing Commission was determined to be a high-risk auditee.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2008-1: Eligibility

Criteria: 24 CFR 5.212 Compliance with the Privacy Act and other requirements, 24 CFR 960.259 Family information and verification, 24 CFR 5.100 Definitions, 24 CFR 5.609 Annual income, 24 CFR 5.611 Adjusted income, 24 CFR 5.628 Total tenant payment, 24 CFR 5.903 What special authority is there to obtain access to criminal records?, 24 CFR 5.506 General provisions, 24 CFR 5.508 Submission of evidence of citizenship or eligible immigration status, 24 CFR 960.259 Family information and verification, 24 CFR 960.253 Choice of Rent, 24 CFR 960.202 Tenant selection policies, 24 CFR 960.206 Waiting list: Local preferences in admission to public housing program.

Statement of Condition: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Questioned Costs: None

Perspective Information: We tested seven tenant files selected at random.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Effect or Potential Effect: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly in all cases without proper and complete documentation.

We found the following exceptions in the documentation in the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	1
* P-003-6551-08 Missing	
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	1
* P-003-6551-08 Missing	
5. Incorrect Verification of Assets	4
* P-003-3345-05 Missing	
* P-002-3369-07 Missing Documentation	
* P-003-6551-08 Missing	
* P-003-6567-09 Missing	

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2008-1 (Continued): Eligibility

	<u># of Exceptions</u>
6. Inspection Report for fiscal year is missing or incorrect	0
7. Proper rent calculation	0
8. Lease missing or incorrect	0
9. Application missing or incorrect	1
* Waiting list test files-J.H. Not Dated	
10. Copy of Photo I.D. missing	0
11. Copy of Proof of Social Security Number Verification missing	0
12. Worksheet for HUD-50058 missing or incorrect	0
13. Flat Rent/Income Based Rent Choice missing or incorrect	1
* P-001-1156-04 Both Flat and Income Based Rent Choices Checked	
14. Notice of Rent Adjustment missing or incorrect	0
15. Criminal Background Check not done, not documented, or it was in the file	1
* P-003-6567-09 Report in File	
16. Declaration of 214 Status missing or incorrect	3
* P-002-3369-07 Missing	
* P-002-3284-04 Missing	
* P-001-1131-05 Missing 1 of 3	
17. Check for Previous Eviction from Public Housing not done or incorrect	0
18. Annual Family Composition Review missing or incorrect	0
19. Annual Review missing or incorrect	<u>0</u>
Total	<u>12</u>

Out of a possible 129, there were 12 exceptions from this test. This represents an exception rate of 9.3%.

Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-2: Reasonable Rent

Criteria: 24 CFR 982.507 Rent to owner: Reasonable rent. 24 CFR 985.3 Indicators, HUD verification methods and ratings.

Statement of Condition: During testing of the tenant files and through an interview, it was discovered that there was not proper administration of the rent reasonable testing process.

Questioned Costs: None

Perspective Information: We tested five tenant files selected at random.

Cause: The staff members in charge of this program did not consider all factors required by HUD and the Housing Commission's Administrative Plan in the rent reasonable testing. All of the required factors must be used in comparing the tenant's property to the unassisted properties. In addition, rent reasonable data was not updated on an ongoing basis or purged after it was 36 months old as required in the Housing Commission's Administrative Plan.

Effect or Potential Effect: Tenants may have been charged rents that were too high.

Recommendation: It is recommended that the staff continue to perform a rent reasonable test when there is an increase in rent, for the initial leasing, if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the contract anniversary as compared with the Fair Market Rent in effect 1 year before the contract anniversary, and as otherwise directed by HUD as required by 24 CFR 982.507. The Housing Commission must also consider all of the factors required by HUD and the Housing Commission's Administrative Plan when doing rent reasonable testing. The Housing Commission must also update the rent reasonable data on an ongoing basis and purge the data after it is 36 months old, as required by the Housing Commission's Administrative Plan.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-3: Utility Study

Criteria: 24 CFR 982.517 Utility allowance schedule. 24 CFR 985.3 Indicators, HUD verification methods and ratings. [24 CFR 985.3(d) Utility Allowance Schedule]

Statement of Condition: It was discovered through the interview process that a utility study was completed late for the fiscal year audited.

Questioned Costs: None

Perspective Information: Data not available

Cause: The staff failed to do a study of the utilities in the required time frame.

Recommendation: The Housing Commission should perform a study of the utilities and update the utility schedule as required in the future. The Housing Commission should review utility rate data every 12 months and adjust its utility allowance schedule if there is a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised.

Response: A new utility study was done recently.

JACKSON HOUSING COMMISSION

CORRECTIVE ACTION PLAN

March 31, 2008

=====

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2008-1: Eligibility

In accordance with applicable regulatory criteria the auditor found that required and recommended documentation was missing, incorrect, or incomplete in seven test files. There were 12 out of a possible 129 exceptions for a 9.3% exception rate in the seven tenant files tested.

Corrective Actions: While an improvement over last year's exception rate, this year's rate is still unacceptable. Housing Commission staff shall continue its efforts begun last year by using newly purchased file folders that more clearly organize information in the files; auditor recommended checklists to insure all required, and some recommended, data is obtained; and improved quality control checks to insure all required data is obtained and correctly analyzed. Key Housing Commission staff recently attended a Michigan NAHRO conference session presented by HUD-Detroit personnel that focused on properly organizing and analyzing tenant files.

Further, each sample tested tenant file shall be reviewed and identified deficiencies corrected where possible.

Contact Person: Connie I. Crandall, PHM, Director, Public Housing Programs (517) 787-1188
connie.crandall@jacksonhousing-mi.com

Anticipated Completion Date: 10/15/2008

JACKSON HOUSING COMMISSION
CORRECTIVE ACTION PLAN
March 31, 2008
=====

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-2: Rent Reasonableness

In accordance with applicable regulatory criteria the auditor found through testing five tenant files selected at random, and staff interviews, that there was not proper administration in testing for rent reasonableness.

Corrective Actions: At its regular board meeting on September 17, 2008, the Jackson Housing Commission approved and adopted the EZ Reasonable Rent Determination Policy and Procedures as an addendum to its Section 8 Housing Choice Voucher Program Administrative Plan. Developed under contract with the Nelrod Corporation, this addendum to the administrative plan is an automated system, upon which applicable Housing Commission staff have been certified and trained, and by which Nelrod continually updates and purges comparable private units.

Contact Person: Kimberly D. Truman, PHM, SHM, Director
Section 8 Programs
(517) 787-6326 kim.truman@jacksonhousing-mi.com

Anticipated Completion Date: Completed

Finding Item 2008-3: Utility Allowance Study

In accordance with applicable regulatory criteria the auditor found that the Housing Commission staff had not timely performed the required annual utility allowance study.

Corrective Actions: At its regular board meeting on July 16, 2008, the Jackson Housing Commission approved and adopted Section 8 HVP updated utility allowances based upon a study that was completed that month. Housing Commission staff has established a "tickler" system to insure that the required study is completed annually.

Contact Person: Kimberly D. Truman, PHM, SHM, Director
Section 8 Programs
(517) 787-6326 kim.truman@jacksonhousing-mi.com

Anticipated Completion Date: Completed

JACKSON HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 March 31, 2008
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Electronic
 Submission

<u>Line Item #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PUBLIC HOUSING PROGRAM			
		(1)	
351	Long-term debt	\$ 47,230	
343	Current portion of long-term debt		\$ 13,260
967	Interest expense		33,970
		(2)	
353	Noncurrent liabilities - other	88,835	
354	Accrued compensated absences-noncurrent		88,835
		(3)	
715	Other revenue	27,986	
713.1	Cost of sale of assets	69,995	
713	Proceeds from disposition of assets held for sale		97,981
		(4)	
512.1	Unrestricted net assets	33,970	
508.1	Invested in capital assets, net of related debt		33,970